

STATE OF NEW YORK

Public Service Commission

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HISTORIC ENERGY EFFICIENCY PROGRAM GETS UNDERWAY

— Unprecedented Effort to Slash Energy Use, Create Clean Energy Industry —

Albany, NY—6/18/08—The New York State Public Service Commission (Commission) today commenced its historic Energy Efficiency Portfolio Standard (EEPS), a far-reaching, ground-breaking energy efficiency initiative that seeks to reverse the pattern of ever-increasing energy use in New York by reducing electric usage 15 percent of projected levels by 2015; one of the most aggressive efficiency programs in the nation.

“Never before have we faced such significant energy challenges,” said Commission Chairman Garry Brown. “The unprecedented rise in energy prices we are experiencing puts to rest any doubts the market is changing. To confront this new and unpleasant reality, we must immediately take bold steps to improve energy efficiency and reduce consumption of ever-more costly fossil fuels that we have come to depend on. Doing nothing should not be considered as an option.”

Chairman Brown added: “The unprecedented energy efficiency program we are approving today will be critically important for the State’s future energy policy. Without doubt, energy efficiency is the most cost-effective, and most immediate, way to reduce the burden of rising energy and environmental costs on residential and business customers. The steps we are taking will establish a framework for ensuring energy efficiency becomes an integral part of the New York energy industry. This initiative is squarely in context of broader State policies designed to develop a clean energy industry and economy.”

The energy efficiency proceeding is designed to forestall an expected rise in energy consumption. At current trends, by 2015 electric energy usage in New York is estimated to be 11 percent higher than current levels. These factors, combined with expected fuel price increases and supply uncertainty, and the need to reduce greenhouse gas emissions, make it necessary to create energy efficiency programs and quickly find ways to reduce energy use.

The ultimate program contemplated when fully funded is expected to provide more than \$4 billion in benefits to customers through 2015. In addition, it is anticipated that thousands of jobs will be created to support the new energy efficiency programs — retrofitting outdated, inefficient residential, commercial and industrial properties, installing new energy efficient equipment, and informing the public about the new opportunities for savings on energy bills — by 2015.

With its action today, the Commission establishes efficiency targets to be achieved by regulated entities through 2011. It also requires utilities to commence collecting additional set asides of \$172 million annually, beginning in October 2008, in System Benefits Charge (SBC) funding to invest in energy efficiency programs.

Furthermore, the development of an efficiency target for natural gas will provide the basis for additional benefits. The \$13 million annually through 2011 in natural gas energy efficiency programs included in the SBC funding is expected to result in a net benefit to New York's economy of more than \$160 million.

One of New York State's highest energy priorities is to develop and encourage cost-effective energy efficiency over the long term, and immediately to commence or augment near-term efficiency measures. This initiative is in the context of the broader State policies for the development of the clean energy industry and economy in the State: policies including Executive Order No. 2 of Governor David Paterson, the Renewable Portfolio Standard, the Regional Greenhouse Gas Initiative, improvements in State energy building codes and appliance efficiency standards, and the Renewable Energy Task Force Report of then-Lieutenant Governor Paterson.

The Commission also approved certain New York State Energy Research and Development Authority (NYSERDA) energy efficiency programs on a fast-track. In addition, the Commission expects utilities to submit new energy efficiency programs for approval, which will be expedited for programs in specific pre-approved categories. Average customer bill impacts are projected to be modest.

Meanwhile, the Commission continues to develop additional issues of program design. Included among these are issues of setting a target for natural gas energy efficiency, utility performance incentives, on-bill financing, the roles of demand response and distributed generation, along with the impact on rental and low-income customers.

Working toward and ultimately attaining the aggressive goal will moderate expected increases in average customer bills and the State's energy costs over time, ease wholesale prices and transmission and distribution congestion, reduce greenhouse gas emissions and local air pollution from the energy sector, improve New York's energy security, and foster economic development by creating investment opportunities and clean energy jobs for New Yorkers.

In attaining these objectives, careful attention to program benefit/cost ratios is very important as there is a need to achieve a maximum return on each incremental energy efficiency investment and to reduce rate impacts on customers. An EEPS should be designed ultimately to reduce customer bills, stimulate State economic development, and create jobs for New Yorkers.

On May 16, 2007, the Commission issued its Order instituting the EEPS proceeding. Since then, Staff of the Department of Public Service and a number of interested parties, including the major utilities in the State as well as relevant governmental groups, have been working diligently on the initiative.

In addition to the near-term efficiency goal adopted in this order, the Commission is emphasizing the importance of demand reduction as a critical objective of this proceeding. Reducing peak demand — the amount of power required to supply customers at times when need

is greatest — will moderate commodity prices, improve system reliability, and potentially reduce, or at least defer, the need for construction of generation, transmission and distribution facilities.

As part of the \$172 million initiative, the Commission authorized \$85 million annually to fund a balanced group of fast-track NYSERDA programs, as well as \$87 million annually in funding for utility-administered programs that could receive expedited approval. Five of the fast track programs are administered by NYSERDA; utility proposals for others are expected soon.

The EEPS will be a joint effort by NYSERDA, the utilities, and other entities that are capable of administering and delivering programs and which are willing and able to be accountable for results. The EEPS is designed to meet targets and goals for energy efficiency to contribute to the reduction of the State's dependence upon imported and fossil fuel-based generation; reduce its greenhouse gas emissions, reduce participating customer bills, stimulate economic development and create jobs in the clean energy sector for New Yorkers.

The Commission will issue an Order reflecting today's action. That order, when available, may be obtained from the Commission's www.dps.state.ny.us Web site by accessing the Commission's File Room section of the homepage and referencing Case 07-M-0548. Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).